Redesigning Your Organization for Success: Shift to a New Paradigm

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> A customer is the most important visitor on our premises; he is not dependent on us. We are dependent on him. He is not an interruption in our work. He is the purpose of it. He is not an outsider in our business. He is part of it. We are not doing him a favor by serving him. He is doing us a favor by giving us an opportunity to do so. (Business Growth Quotes, n.d., p. 2)

Mahatma Gandhi, known for his inspirational ideas, uttered these words. If Gandhi has it right, then the customer is the centerpiece of any organization regardless of the century. Jesus exhibited a customer focus as he fed 5,000 people during the 1st century, between AD 65-70. Mark records a scene of 5,000 hungry people who were followers of Jesus. The disciples advised Jesus to send them away, claiming there was not enough food. Jesus asked the disciples, “How much bread do you have? Go and see” (Mark 6:38). Jesus saw these individuals not as outsiders or interruptions to be ignored, but as customers who had needs to be satisfied.

Fast-forwarding to 21st century organizations, the needs of customers remain in the forefront. Jones (1999) says an organization is, “a response to and a means of satisfying some human need” (p. 4). Organizations in the 21st century need to make use of raw materials, knowledge, information, money, capital and technology to produce goods and services that will satisfy the insatiable appetite of its customers (Jones, 1999). Some will get it right and some will not. To survive, organizations will undergo change. Many will engage in organizational design in order to balance their strategies, processes, structures, people and rewards, seeking increased performance with paralleled culture change, only to find their customers are still not satisfied.

Why are customers still not satisfied? Could it be that management are stuck on old, 20th century success factors such as size, role clarity, specialization and control, rather than on new, 21st century

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success factors such as speed, flexibility, integration and innovation? (Ashkenas, Ulrich, Jick, & Kerr, 2002). What role then should organizational design play in 21st century organizations? How will the new success factors contribute to ensuring that customers' needs are met?

Let us first consider what organizational design is. Jones (1999) defines organizational design as, "the process by which managers select and manage aspects of structure and culture so that an organization can control the activities necessary to achieve its goals" (p. 12). In other words, organizational design is about the why and how of the means chosen. It requires that managers continually balance external environmental pressures against internal pressures derived from technology choices. Moreover, Galbraith (1995) portrays the framework of organizational design as, "the star model" (p. 11) categorized as strategy, structure, processes, people and rewards.

According to Galbraith:

- Strategy determines the direction in an organization
- Structure determines where decision-making power resides
- Processes govern how information flows within the organization
- Policies of people define and influence employees' skills and overall mindsets
- Reward system is the primary motivator in getting employees to perform according to the goals set by the organization (1995).

Collectively, this framework of organizational design has important implications for organizations. It helps organizations deal with contingencies, achieve competitive advantage, increase its efficiency and increase its innovative abilities for new goods and services (Jones, 1999).

Instead of managers using the organizational design framework as espoused by Galbraith, with focused outcomes as articulated by Jones, they have focused strictly on organizational structure to achieve effectiveness (Ashkenas, Ulrich, Jick, & Kerr, 2002). They focused on how many layers of management they needed, the signing authority at the different levels, the proper span of control, how to strike a balance between centralization and decentralization, the classification of jobs with proper pay levels and how to organize field and international operations. These all culminate into what Ashkenas et al. (2002) refer to as the old success factors of size, role clarity, specialization, and control, all derived from 20th century management.

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Even before the 20th century, these old success factors are recognizable during the feeding of the 5,000 people. The disciples said to Jesus: “It is already very late, and this is a lonely place. Send the people away, and let them go to the nearby farms and villages in order to buy themselves something to eat” (Mark 6:35-36). From the size perspective, the disciples did not have the management structure to feed this many people and feeding such a crowd was not in their job descriptions, so the only choice available was to send them away hungry. Although Jesus called the disciples to serve, they did not specialize in feeding so many people. Finally, the factor of control was at play because it had gotten too late and the crowd was unmanageable. To deal with this crowd, the disciples should have spent more time thinking about and implementing new success factors that would have been in the best interest of their customers.

Ashkenas et al. (2002) argue: “Twenty-first-century business is in the midst of a social and economic revolution, shifting from rigid to permeable structures and processes and creating something new: the boundaryless organization” (p. 1). This boundaryless organization will be defined by a new paradigm for organizational success. This new paradigm boasts four new success factors as they pertain to organizational design of 21st century organizations.

Success Factor 1: Speed

The first success factor is speed. To reduce time-to-market, organizational designers must consider a process orientation and a streamlined decision-making structure.

A process orientation or horizontal structure suggests that employees who work on the process in a team arrangement should be given, “end-to-end responsibility for the overall process” (Galbraith, 1995, p. 34). Daft (2007) characterizes horizontal structures as those created around cross-functional core processes, self-directed teams and process owners with the responsibility for each core process. For example, Ford Motor Company’s Customer Service Division organized for speed around core process groups for parts supply and logistics, business development, technical support and vehicle service and programs (2007).

Furthermore, to reduce cycle time, Galbraith (1995) says, “decisions must be moved to the points of product and customer contact; there simply is no time to go up the hierarchy to find a general manager” (p. 45). For example, the Boeing 777 project has 250 teams for sections of the wing,

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avionics and cockpit. They can act independently because the work of one team will not affect the others (Galbraith, 1995).

Success Factor 2: Flexibility

The second success factor is flexibility. Ashkenas et al. (2002) is emphatic: "Organizations that move quickly are flexible. People do multiple jobs, constantly learn new skills and willingly shift to different locations and assignment" (p. 7). In order to do what Ashkenas et al. suggest, leaders must close the knowledge transfer gap that 21st century organizations will experience as a result of shifting demographics in the workplace.

Companies are already seeing distinct learning styles in the workplace transcending four generations. Matures or veterans, born 1925-1945, and baby boomers, born 1955-1964, all have a learning style defined by formal classroom instruction and reading printed text. Conversely, the Gen Xers, born 1965-1979, prefer a more informal learning, merged with action learning in which they desire to find real solutions for real problems (Knowledge Transfer, 2008). Furthermore, the Gen Yers or millennials, born 1980-1995, have a highly computer-oriented learning style because they were born in the computer world. They refer to themselves as, "digital natives" (Knowledge Transfer, 2008, p. 2), valuing team learning, while enjoying new social media like blogs and virtual collaboration environments. Gen Yers would perform best in a team structure that caters to the transformational leadership style. Transformational leaders empower workers and instill a sense of engagement and commitment. These type of leaders also encourage workers, "to challenge the status quo and to provide the inspiration that nurtures risk-taking behavior" (Sherman, Rowley, & Armandi, 2007, p. 4).

For example, McDonough Bolyard Peck Inc., a consulting engineering firm in Fairfax, VA, is tackling this knowledge transfer issue in several ways. It has an informal mentoring program that supports individual development, involving half of its 160 staff members. Furthermore, according to Rubis (2008), the company provides other informal learning opportunities by sponsoring, "twice-monthly lunch-and-learn sessions" (p. 2) on topics such as cost-estimating software.

According to Salopek (2008), communities of practice (CoP) are experiencing a renewed popularity in the workplace as a learning tool. IBM uses a CoP for over 100 professionals, called the Global

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Instructor Community, which focuses on, "content sharing, tips and techniques, and up-to-date materials for the worldwide learning staff" (p. 1).

Success Factor 3: Integration

Integration is the third success factor. Jones (1999) defines integration as, "the process of coordinating various tasks, functions, and divisions so that they work together and not at cross-purposes" (p. 56). Organizations must be adept at shifting directions and ensure change become instituted into the bloodstream. This requires disseminating new initiatives quickly, while at the same time mobilizing the right resources for things to happen. The focus then should be on accomplishing work processes or business and less on the production of specialized pieces of work (Ashkenas et al., 2002).

Besides the focus being on work processes, like it or not, technology will still serve a major role in bringing functions together for information and knowledge sharing. For example, Xerox uses computer systems in finding new ways for different functions to share memos, reports and databases. Wal-Mart's home office actively uses television technology to show each store how to display products for sale (Jones, 1999).

In order to get coordination of tasks and functions to work together and not be at cross-purposes, will require that 21st century organizations become inherently modular, adaptable organizational structures. They must become learning organizations. Handy (1990) says that learning organizations are, "places where change is an opportunity, where people grow while they work" (p. 212). To be effective learning organizations, organizations must constantly adapt to their environment. Hence, organic structures are more favorable to learning organizations. Sherman, Rowley and Armandi (2007) argue that, "organic structures have decentralized authority and power and rely on informal/social systems and a wide span of control" (p. 3).

To take this a step further future organizational architectures must then be inherently modular. This allows for major change, without major disturbances, within the organization where the focus is on collaboration with others to create an integrated whole. Xerox, Microsystems, SMH and ABB are examples of modular, adaptable organizational structures (Nadler & Tushman, 1997).

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Success Factor 4: Innovation

The fourth and final success factor of 21st century organizations is innovation. Innovation, "is the process by which organizations use their skills and resources to develop new goods and services or to develop new production and operating systems so that they can better respond to the needs of their customers" (Jones, 1999, p. 515).

Kazanjian (2007) points out that technology will remain a primary driver in delivering better customer service, because of the need for speed, flexibility and integration in 21st century organizations. Apple Computer's innovation of the personal computer changed the computer industry; and Honda's innovation of the small 50cc motorcycle revolutionized the small motorbike market (Jones, 1999). Moreover, Toyota's innovation of the car production system was instrumental in increasing product quality; and many car companies have copied Chrysler's innovation of their product team structure and new operating system (Jones, 1999).

Besides innovations in technology, competitive, economic, political and global forces will drive other innovations in 21st century organizations. Organizational design will play a predominate role in determining the best organizational structure. For example, Handy (1990) describes the Shamrock organization as one with three leaves. The first leaf is core workers; these are essential people within the organization. The second leaf is non-essential workers such as staffers and non-factory workers; although a smaller core, the work gets contracted out to other organizations. The third and final leaf is the flexible labor force; temporary or part-time workers, that represents, "the fastest growing part of the employment scene" (p. 93).

As described within the second leaf, 21st century organizations will be faced with strategic choices regarding contracting out work or outsourcing. Outsourcing is, "moving a value creation activity that was performed inside an organization to outside where it is done by another company" (Jones, 1999, p. 258). This trend is expected to continue. Outsourcing has existed for some time. Some companies have employed the outsourcing model for more narrow functions, such as data entry, payroll and billing, because they can be done more efficiently and less costly by other companies (Sourcingmag, n.d.). Other companies have been attracted to outsourcing because of lower cost structures. According to Gerth and Rothman (2007), some American companies moved their manufacturing operations from the U.S. to Mexico, Southeast Asia and China for lower cost structures. Electrolux, a

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world leader in kitchen and cleaning appliances, has moved manufacturing operations from high-cost Sweden and Germany, to lower cost structures such as Poland, Mexico and Thailand.

In addition to understanding how technology will drive solutions for delivering better service and the many outside forces that will drive new organizational structures like the Shamrock, deriving innovations will involve organizational design in a more expanded role. Guillory (2007) argues that 21st century organizations must adapt to unpredictable, accelerated change. He insists that, “the best way to adapt to change is to create it” (p. 1). He says employees in future organizations must possess both creative and innovative abilities. He defines creativity as, “the conception of a new idea and innovation as the implementation to bring about a tangible process, product, or service” (p. 1). Additionally, to nurture this creativity, the organization must put in place the right reward system to motivate the required behavior. Nadler and Tushman (1997) insist there must be a high degree of, “consistency between linkage mechanisms and patterns of rewards,” (p. 106) otherwise the organization sends the wrong signals resulting in frustration, confusion and poor performance.

In conclusion, 21st century organizations must shift from rigid to permeable processes and structures and create a new paradigm for organizational success. Customers are demanding a new paradigm in which speed, flexibility, integration and innovation, the new success factors, will replace the old success factors of size, role clarity, specialization and control. The old factors even failed the test in the 1st century when Jesus fed 5,000 hungry customers. Organizational design will play a major role in crafting the right organizations in the 21st century, in terms of its strategy, structure, processes, people and rewards, in order to meet and even succeed future customer demands. Mahatma Gandhi was right after all: “A customer is the most important visitor on our premises; he is not dependent on us. We are dependent on him. He is not an interruption in our work. He is the purpose of it …” (Business Growth Quotes, n.d., p. 2).

About the Author

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